



World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

Executive Board
Second regular session
Rome, 26–29 November 2018

Distribution: General

Agenda item 6

Date: 9 November 2018

WFP/EB.2/2018/6-(A,B)/3

Original: English

WFP/EB.2/2018/5-A/3

Resource, financial and budgetary matters

For information

Executive Board documents are available on WFP's website (<https://executiveboard.wfp.org>).

Report of the FAO Finance Committee

The Executive Director is pleased to submit herewith the report of the FAO Finance Committee pertaining to WFP. The report covers the following agenda items:

- WFP Management Plan (2019–2021)
- Update on the Integrated Road Map
- Work plan of the External Auditor



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COUNCIL

Hundred and Sixtieth Session

Rome, 3-7 December 2018

Report of the 172nd Session of the Finance Committee (5-6 November 2018)

Executive Summary

At its 172nd Session, the Committee reviewed the *WFP Management Plan (2019-2021)* and the *Update on the Integrated Road Map* prior to their consideration by the Second Regular Session of the WFP Executive Board in November 2018.

Suggested action by Council

The Council is invited to note the views and recommendations of the Finance Committee in respect of matters considered by the Second Regular Session of the WFP Executive Board in November 2018.

Queries on this document may be addressed to:

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Table of Contents

	Pages
Introduction	3
World Food Programme Matters.....	4
WFP Management Plan (2019-2021)	4
Update on the Integrated Road Map	5
Date and Place of the Hundred and Seventy-third Session.....	7
Documents for information	8

Introduction

1. The Committee submitted to the Council the following report of its Hundred and Seventy-second Session.

2. In addition to the Chairperson, Mr Lupiño Lazaro Jr. (Philippines), the following representatives of Members were present:

- Ms Maria Esperança Pires dos Santos (Angola)
- Ms Kristina Gill (Australia)
- Mr Manash Mitra (Bangladesh)
- Mr Antonio Otávio Sá Ricarte (Brazil)
- Mr Ni Hongxing (China)
- Mr Haitham Abdelhady Elsayed Elshahat (Egypt)
- Mr Mateo Nsogo Nguere Micue (Equatorial Guinea)
- Ms Hannah Laubenthal (Germany)
- Mr Benito Santiago Jiménez Sauma (Mexico)
- Mr Vladimir V. Kuznetsov (Russian Federation)
- Mr Sid Ahmed M. Alamain Hamid Alamain (Sudan)
- Ms Elizabeth Petrovski (United States of America)

3. The Chairperson informed the Committee that:

- Ms Maria Esperança Pires dos Santos (Angola) had been designated to replace Mr Carlos Alberto Amaral as the representative of Angola for this session;
- Ms Kristina Gill (Australia) had been designated to replace Ms Cathrine Stephenson as the representative of Australia for this session;
- Mr Cui Jishun (China) had been designated to replace Mr Ni Hongxing as the representative of China for part of this session;
- Mr Haitham Elshahat (Egypt) had been designated to replace Mr Khaled M.S.H. Eltaweel as the representative of Egypt on the Finance Committee for the remainder of its term of office;
- Ms Hannah Laubenthal (Germany) had been designated to replace Mr Heiner Thofern as the representative of Germany for this session; and
- Ms Elisabeth Petrovski (United States of America) had been designated to replace Mr Thomas Duffy as the representative of the United States of America for this session.

4. A summary of the qualifications of the substitute representatives can be downloaded from the Governing and Statutory Body Web site at: <http://www.fao.org/unfao/govbodies/gsbhome/finance-committee/substitute-representatives/en/>

5. In addition, silent observers from the following Members attended the 172nd Session of the Committee:

- Cuba
- Cyprus
- Dominican Republic
- Finland
- Hungary
- Japan
- Netherlands
- United Kingdom

World Food Programme Matters

WFP Management Plan (2019-2021)

6. The Committee considered the *WFP Management Plan 2019-2021* which included: i) a revenue forecast of USD 6.8 billion for 2019 used as the basis for setting the PSA budget; ii) operational requirements for 2019 of USD 9.8 billion; iii) a Programme Support and Administrative (PSA) budget of USD 385.1 million; iv) use of the General Fund to charge investment management costs up to USD 1.55 million per annum from interest income accrued to the General Fund; and v) critical corporate initiatives totalling USD 69.3 million.

7. The Committee noted the updated income forecast for 2018 of USD 7.2 billion. It highlighted the global context of increasing needs and encouraged the Secretariat to continue efforts to explore other funding avenues as a means of reducing the gap between operational requirements and the implementation plan.

8. The Committee noted the proposal for a PSA budget for 2018 of USD 385.1 million. It welcomed the areas prioritized for additional PSA allocations in 2019, but also cautioned that care should continue to be taken to ensure that the additional budget provisions were being directed to the most appropriate areas of WFP's structure.

9. The Committee enquired about the significant increase in the costs of the global management meeting and received clarification that the net costs would be dependent on the contributions of the host country which had yet to be determined.

10. The Committee reviewed the proposed uses of the PSA Equalisation Account for critical corporate initiatives. While acknowledging that information contained in the Management Plan was sufficient for some of the Critical Corporate Initiatives (CCIs), it also noted that additional information on some of the CCIs had been provided by WFP in a piecemeal fashion as part of wider consultations with the Board, making it more difficult to understand the full scope of each CCI from the document itself. The Committee was informed that the Secretariat would, within the following two weeks, provide concept notes for three of the six proposed critical corporate initiatives: the WFP 2030 Fund, Cash and the Digital Platform; and Systems integration and IT-enabled efficiencies.

11. The Committee considered the proposal to approve a Standard Indirect Support Cost (ISC) rate for 2019 of 6.5 percent and a proposal, emanating from WFP's review of the full cost recovery policies, for a reduced ISC rate of 4 percent to be applied to contributions from governments to WFP programmes in their own countries, and for contributions made by developing countries or countries with economies in transition.

12. The Committee was informed of a new proposal to change the organizational structure of WFP by adding a new position at the Assistant Executive Director level to directly oversee the six regional bureaux and through them the country offices. The position would report directly to the Executive Director and would help strengthen managerial oversight on performance, risk management and internal controls. The Committee was informed that the estimated cost of USD 1 million per annum would include one ASG position, one P4 Professional staff member and one G7 General Services staff member. The Committee sought further clarifications on cost implications, timelines and process, and expressed concern with the late notice of the proposed change. In the light of the relatively short time between the meeting of the Committee and the Executive Board (EB) meeting, the Committee urged the Secretariat to fully consult with Members States prior to consideration of the Management Plan.

13. The Committee recalled that category I Key Performance Indicators (KPIs) were already described in Section V of the Management Plan while category II KPIs – which comprised corporate commitments as part of the UN system as well as key priority issues set by the Executive Management Group - had been the subject of a recent final informal consultation on the Corporate Results Framework. The Committee endorsed the addition of seven Category II KPIs in the Management Plan.

14. **The Committee:**

- a) **noted** that forecasted operational requirements for 2019 were USD 9.8 billion and that the prioritized implementation plan had been aligned with the anticipated funding for 2019 of USD 6.8 billion;
- b) **encouraged** efforts to broaden the funding base in order to reduce further the gap between operational requirements and the implementation plan;
- c) **agreed** with the proposed level of the PSA Budget of USD 385.1 million and its allocation across the established appropriation lines of “strategy and direction”, “services to operations”, and “governance, independent oversight and fundraising”;
- d) **endorsed** the proposed allocation from the PSA Equalization Account of USD 69.3 million for CCIs, while **requesting** that concept notes for the CCIs on the WFP 2030 Fund, Cash and Digital Platform and Systems integration and IT-enabled efficiencies be provided prior to the Executive Board’s Second Regular Session of 2018, and that future Management Plans include more detailed information on initiatives proposed, through concept notes annexed to the Management Plan;
- e) **supported** a standard indirect support cost recovery rate of 6.5 percent for 2019 for all contributions with the exception of contributions made by governments to WFP programmes in their own countries and contributions made by developing countries or countries with economies in transition, for which an indirect support cost recovery rate of four percent in 2019 would apply;
- f) **endorsed** the proposed use of the General Fund to charge investment management costs up to USD 1.55 million per annum from interest income accrued to the General Fund;
- g) **noted** that the Secretariat intended to present a revised organizational structure, initially introduced at this session reflecting a new ASG position to focus on oversight of Regional and Country offices, to the Executive Board’s Second Regular session of 2018 and **recommended** that an informal consultation with Member States be carried out prior to that meeting;
- h) **supported** the Category II key performance indicators presented to the Committee; and
- i) **recommended** that the draft decisions as presented in the *WFP Management Plan (2019-2021)* be approved by the Executive Board.

Update on the Integrated Road Map

15. The Committee welcomed the update on the implementation of the Integrated Road Map (IRM) and the overview of proposed amendments to the WFP General Rules and Financial Regulations covering: terminology, definitions, and full cost recovery policies.

16. The Committee noted that the proposed amendments to the WFP General Rules and Financial Regulations would ensure coherence with the IRM framework and reflected the context in which WFP worked.

17. The Committee was informed of WFP’s commitment to the principle and value of full cost recovery and that the proposed amendments to the General Rules and Financial Regulations would support simple and transparent cost recovery.

18. The Committee reviewed nine recommendations related to full cost recovery policies in the areas of twinning; waivers of indirect support costs or reductions in indirect support cost rates; direct support cost rates for mandated common services; handling of revenue generated from the on-demand provision of services; and trust funds.

19. The Committee was informed that some of the recommendations could impact indirect support cost income and that WFP had performed a sensitivity analysis to determine the extent of the potential impact on future indirect support cost income over five years and 10 years. The analysis, based on the assumption of three percent annual general contribution growth and 10 percent annual growth for the areas impacted by the recommendations, showed that the amount of foregone indirect support cost revenue would not be significant, while serving to mobilize additional resources, broaden the donor base, strengthen partnerships and build national ownership.

20. The Committee was informed that three recommendations had not been considered in the document as they had been deferred until the 2019 annual session, to allow further time for analysis and consultation with Members. They related to indirect support cost rates for contributions to the immediate response account and for cash contributions that were not designated in any way and to the delegation of authority to the Executive Director for the approval, on an exceptional basis, of “twinning” contributions from any donor.

21. The Committee reviewed three additional proposals: i) transitional governance arrangements for selected Country Strategic Plans (CSPs) and Interim Country Strategic Plans (ICSPs) that would be considered at the Board’s 2019 First Regular Session; ii) extending the duration of certain transitional ICSPs to allow approval of CSPs and ICSPs at the Board’s 2019 Second Regular Session; and iii) continuation of the project-based system for a short period in 2019 for certain activities. The Committee was informed that WFP would provide an update to the Executive Board at the 2019 Annual Session on the use of this contingency approval.

22. The Committee was informed that any normative amendments required to implement multi-country strategic plans would be presented when the Interim Multi-Country Strategic Plan for the Pacific is presented to the Board for approval at the 2019 annual session.

23. In reviewing the eligibility criteria under Recommendation 8b, the Committee was informed that the proposal, which was aligned with General Regulation XIII.2, applied the eligibility criterion approved by the Executive Board in the 2004 document “New Partnerships to Meet Rising Needs – Expanding the WFP Donor Base”, until further guidance be given by the Executive Board.

24. The Committee was provided an update on the CSP data portal upgrade planned for the first quarter of 2019, including contribution and expenditure data, additional guidance on the formulation of Strategic Outcomes to strengthen consistency and coherence across CSPs, and the status of partnership action plans.

25. **The Committee:**

- a) **supported the full cost recovery recommendations presented in the *Update on the Integrated Road Map*;**
- b) **endorsed the proposed amendments to the General Rules and Financial Regulations regarding terminology, definitions and full cost recovery policies, noting that such amendments would come into effect on 1 January 2019;**
- c) **supported the proposed transitional governance arrangements that would apply for selected country strategic plans and interim country strategic plans that would be considered at the Executive Board’s 2019 First Regular Session;**
- d) **supported the extension of the duration of selected transitional interim country strategic plans to allow approval of country strategic plans and interim country strategic plans at the Executive Board’s 2019 Second Regular Session;**
- e) **supported the continued application of the project-based system for selected activities, noting that this would be employed only if necessary and only for a short period in early 2019; and**
- f) **recommended that the draft decisions as presented in the *Update on the Integrated Roadmap* be approved by the Executive Board.**

Date and Place of the Hundred and Seventy-third Session

26. The Committee was informed that the 173rd Session was scheduled to be held in Rome from 12 to 16 November 2018.

Documents for information

- Work Plan of the External Auditor